

Validity of Contracts and Agreements

VALID · VOIDABLE · VOID · ESSENTIALS · CAPACITY · CONSIDERATION · LAWFUL OBJECT

Comprehensive Exam Revision Handout

1 CORE CONCEPT — TYPES OF AGREEMENTS & CONTRACTS



✓ Valid Contract **S. 2(h)**

An **agreement enforceable by law**.

Amjad sells his car to Habib; either can sue the other on default.

⚠ Voidable Contract **S. 2(i)**

Enforceable **at the option of one or more parties** but not of the others — option lies with the **aggrieved party**, not the defaulting party.

Consent obtained by threat to kill → voidable at victim's option.

🕒 Void Contract **S. 2(j)**

A contract which **ceases to be enforceable** becomes void when it ceases to be enforceable — **valid at formation, void later**.

Music hall burns before the concerts → contract becomes void.

✗ Void Agreement **S. 2(g)**

An agreement **not enforceable by law** — **void ab initio** (from the beginning). Enforceable by **none** of the parties.

Loan + mortgage by a minor.

2 ESSENTIALS OF A VALID CONTRACT **S. 10**



An agreement is a contract if it meets **ALL** the following conditions:

1. Free consent of the parties

+

2. Parties competent to contract

+

3. Lawful consideration

+

4. Lawful object

+

5. Not expressly declared void by law

=

VALID CONTRACT

Writing: A verbal promise to sell a book is valid (law doesn't require writing), but an **oral arbitration agreement** is unenforceable because the law requires it to be **in writing**.

3 COMPETENCE TO CONTRACT **S. 11**



Every person is competent who is: **(a)** of the **age of majority** under the law to which he is subject; **(b)** of **sound mind**; and **(c)** **not disqualified** from contracting by any law.

👶 Minor

Majority Act, 1875: age of majority = **18 years; 21 years** where a guardian is appointed by the court.

Agreement with a minor = **void ab initio**.

- **No estoppel** — not liable even if he falsely claims to be major
- **Cannot ratify** on attaining majority (second pro-note also void)
- **Cannot be declared insolvent**
- Joint promise with a major → enforceable **against the major only**
- **Necessaries** suited to his condition → liability limited to **minor's property**

🧠 Sound mind **S. 12**

At the time of contracting, capable of **understanding it** and **forming a rational judgment** as to its effect on his interests.

- Unsound: **idiots** (permanent), **lunatics** (with lucid intervals), **drunken/delirious** persons
- **Usually unsound, occasionally sound** → **may** contract when sound
- **Usually sound, occasionally unsound** → **may not** contract when unsound

Idiot by birth sells Rs. 25m property for Rs. 12m → void.

🚫 Disqualified by law

- **Alien enemy** — citizen of a country at war with Pakistan
- **Foreign sovereigns & ambassadors** — may contract but can claim **immunity from being sued** (unless they submit to jurisdiction)
- **Convict** while imprisoned — disability ends on expiry of sentence or on **parole**
- **Insolvent** — property dealt with by official assignee / receiver

4 CONSIDERATION **S. 2(d)**



When, **at the desire of the promisor**, the **promisee or any other person** has done or abstained from doing, or does or abstains, or promises to do or abstain, something — such act, abstinence or promise is **consideration**.

Forms

Act · Abstinence (forbearance) · **Promise**

Not suing a debtor for a year = abstinence.

At promisor's desire

Must move at the **desire of the promisor**.

Saving goods from fire unasked → no claim.

From anyone

From **promisee or any other person**.

Annuity case: consideration moved from Arif → Noman can sue.

Timing

Past (service in Aug, promise in Sep) · **Present** (simultaneous) · **Future**

✗ Not already bound

Doing what the promisor is **already bound to do** adds nothing.

Payment promised to a summoned witness for giving evidence → no valid consideration.

✗ Real, not illusory

Must be **real** and possible.

Promise to bring a dead wife back to life → void.

5 NO CONSIDERATION, NO CONTRACT — & ITS EXCEPTIONS **S. 25**



Rule: An agreement **without consideration is void** — e.g. a bare promise to give Rs. 5 million. **Exceptions:**

1. Natural love & affection

- Expressed **in writing**
- **Registered** under relevant law
- Between parties in **near relation**, on account of natural love & affection

2. Past voluntary service

Promise to compensate (wholly/partly) a person who **voluntarily did something** for the promisor, or did what the promisor was **legally compellable** to do.

Finder of purse promised Rs. 5,000.

3. Time-barred debt

- Promise **in writing**
- **Signed** by debtor or his agent
- To pay wholly/partly a debt barred by **limitation**

4. Completed gift

Gift **actually made** (voluntary transfer of existing property, **accepted** by donee) — valid without consideration; executed by **registered deed**.

⚖️ Adequacy of consideration **S. 25**

An agreement freely consented to is **not void merely because consideration is inadequate** — but the court may consider inadequacy when deciding **whether consent was freely given**.

Car worth Rs. 3m sold for Rs. 1m with free consent → valid.

6 UNLAWFUL OBJECT OR CONSIDERATION **S. 23**



Every agreement whose **object or consideration is unlawful is void**. Both must be lawful. They are unlawful if:

Ground	Illustration from the study text
1. Forbidden by law	Sale of snow leopard cubs whose capture is prohibited under local laws
2. Defeats provisions of any law	Defaulter (barred from bidding) appoints agent to buy his auctioned house
3. Fraudulent	Dividing tax refunds obtained on fake documents
4. Injury to person/property	Payment for publishing a defamatory article
5. Immoral / opposed to public policy (as Court regards)	Guardian selling influence over ward · money to obtain divorce and marry lender · hush money for not exposing a theft · withdrawing criminal proceedings in return for repayment (stifling prosecution)

7 APPLICATION TO SCENARIOS



Minor buys vintage car

Shoaib (15) buys a vintage Mercedes → void ab initio; not a necessary. Seller can only seek **restitution** of the car. Father **not liable** (unless joint contract or son acted as his agent).

Grandfather's oral gift promise

Promise of Rs. 1m, **not paid, not written, not registered** → neither completed gift nor love-&-affection exception → **not recoverable**.

Thief repays, owner withdraws case

Agreement to withdraw criminal proceedings → **void** (unlawful object / public policy); owner not bound.

Paying another's bill

Karim voluntarily pays Pervez's electricity dues; Pervez verbally promises to repay → **enforceable** (past voluntary service).

Promise to return gifted property

Wife's promise to re-transfer gifted property if husband suffers loss → **void for lack of consideration**.

Endangered cubs + free cat

Sale of prohibited snow leopards → **illegal consideration**; whole agreement void — cat cannot be demanded.

8 COMMON EXAM TRAPS



⚠ Minor's agreement is **voidable / unenforceable** → **void ab initio**.

⚠ Agreement without consideration is **unlawful / voidable** → **void** (subject to 4 exceptions).

⚠ Voidable at option of **both / one party** → **the aggrieved party**.

⚠ Past voluntary service promise need **not** be in writing; **time-barred debt** and **love & affection** require writing.

⚠ A contract is never void at formation — **a void contract was valid and later ceased** to be enforceable.

⚠ Supply on 20 Jan, payment on 15 Mar (agreed 1 Jan) → **future consideration, valid**.

⚠ Consideration must be **adequate / equal** → **need not be adequate**.

⚠ "Immoral" is judged by **the Court** — **not people / society**.

⚠ Consideration must move **from promisee only** → **promisee or any other person**; but at desire of the **promisor**.

⚠ Ambassador's lease: **cannot be sued in local courts** due to diplomatic immunity.

9 QUICK REVISION BOX



5

Essentials of valid contract (S. 10)

18 / 21

Age of majority / with court-appointed guardian

4

Exceptions to "no consideration, no contract"

5

Grounds of unlawful object/consideration (S. 23)

- **S. 2(h)** Contract · **2(i)** Voidable · **2(j)** Void contract · **2(g)** Void agreement
- **S. 10** Essentials · **S. 11** Competence · **S. 12** Sound mind

- **S. 2(a)** Consideration · **S. 25** No consideration & exceptions, adequacy
- **S. 23** Unlawful object or consideration

Exceptions in one line: Love (written + registered + near relation) · Past voluntary service · Time-barred debt (written + signed) · Completed gift.